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TAGS: [PREL](#) [PARM](#) [TSPL](#) [KNNP](#) [ETTC](#) [ENRG](#) [TRGY](#) [IN](#)
SUBJECT: NUCLEAR DEAL REMAINS HOT POLITICAL ISSUE AS
GOVERNMENT STRUGGLES WITH DOMESTIC CHALLENGES

Classified By: Acting Deputy Chief of Mission John Davison for Reasons
1.4 (B and D)

Summary

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¶1. (C) Despite the domestic policy challenges of rising gas prices and Gujjar community unrest, the nuclear deal remains very much on the political agenda in Delhi as political factions pre-position themselves for upcoming state and ultimately national elections. The Congress Party is distracted with domestic challenges and reliant on Sonia Gandhi to end the vacillation on the nuclear issue, leaving it vulnerable to the Bharatiya Janata Party's (BJP) claims of weakness in foreign policy and the Left's assertion that it cares more about satisfying the U.S. than its local constituents. Proponents within Congress appear to be shielding the deal by postponing a showdown through the UPA-Left committee meeting, now scheduled for June 18. They are also attempting to appease skeptics by trumpeting the nuclear deal's contribution to India's energy needs. For the Congress Party, failure to complete the nuclear deal is increasingly a political liability demanding resolution. End summary.

Congress: Divided and Distracted

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¶2. (SBU) In a week that ended with Prime Minister Manmohan Singh addressing the nation to explain the government's agonizing decision to increase fuel prices, prominent Congress Party officials have signaled that the nuclear deal remains a top concern. Minister of External Relations Pranjab Mukherjee told media on June 4 that there was no time-frame for the nuclear deal, but that the UPA government was "trying to complete the process within its tenure." He indicated that the UPA-Left committee will meet on June 18 to discuss the deal. Prime Minister Singh appears to be protecting the nuclear deal by repeatedly postponing the planned UPA-Left committee meeting on the assumption that delay is preferable to a fatal reassertion of opposition from the Left. The meeting was postponed to June 18 after an prior deferral to June 10, and media reports indicate that Prime Minister Singh will chair it personally.

¶3. (SBU) Prime Minister Singh suggested in his speech to the nation on June 4 that the nuclear deal would contribute to India's energy needs at a time of rising oil prices and uranium shortages, an argument that has won over some critics within the party. Minister of State for Power Jairam Ramesh, one of Congress' more influential critics of the U.S. who had

earlier led criticism of President Bush's remarks about the global food price rise, supported the deal for the first time on June 3. Stating that uranium fuel shortages have reduced India's nuclear power output to 50 percent of capacity, Ramesh said, "the signing of the 123 Agreement is necessary as the nuclear deal will not only yield a great advantage to the country but also enhance our prestige at the international level." Ramesh was reportedly optimistic that a breakthrough remained possible despite stiff opposition from the Left.

The Left: Poised for a Break-up ... On Its Own Terms

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14. (SBU) The Left's opposition to the deal remained unchanged as commentators speculated about the timing of what many see as the Left's inevitable break with the Congress Party. Indrani Bagchi, Senior Columnist for The Times of India, told visiting Staffed Anderson on June 3 that the political parties are "in full election mode." She explained that Congress and the Communists will have to break at some point in the next year in any case because they are competitors in several state elections, including the leftist bastions of West Bengal, Kerala, and Tripura. However, they will also need to come together again after the next national elections if they are to have any hope of forming another coalition government.

15. (SBU) Some political observers, including BJP Leader L.K. Advani, believe that the Congress Party would not like the break with the Left to occur over the civil nuclear deal

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because this would so infuriate the Left that it would withhold support for a Congress-led coalition after the next national election. Proponents of this view do not see any viable scenario in which the Congress Party can form a coalition government without Left support. Congress would break with the Left over a domestic issue like food prices, according to Bagchi, but it is unwilling to define its government by breaking with the Left over the nuclear deal, which would act as a wedge issue in state election contests where bread-and-butter issues are likely to be decisive. By the same token, the Communists do not want to break from the government over a domestic issue because it would allow Congress to go through with nuclear deal (if the Left does not bring down the government) or present the possibility -- however unlikely -- that the BJP could swing to the rescue to carry the nuclear deal through without the taint of joining forces with their ideological opponents on the far left. The longer the Left delays, the more likely that when they do split from the government there will be insufficient time for the nuclear deal to gain IAEA, Nuclear Suppliers Group (NSG), and U.S. Congressional approval during this year, she explained.

16. (SBU) Adding pressure for a withdrawal from the government, the RSP, one of the four Communist parties that support the government as the Left Block, formally withdrew from the UPA-Left Coordination Committee, an indication of increasing disenchantment with Congress Party stewardship. However, in a sign that the nuclear issue remains a central issue in sustaining the UPA government, the RSP remained on the UPA-Left nuclear committee.

BJP: We Dare You

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17. (SBU) The Bharatiya Janata Party (BJP) continued to differentiate its position on the nuclear deal from the governing coalition without opposing it in principle, cloaking its opposition in hazy implications for India's strategic program. BJP leader L.K. Advani told media last week that his party does not oppose the nuclear deal in principle and supports obtaining nuclear fuel from the U.S., but he continued to suggest that the deal be "redrafted to

insulate India from the Hyde Act," suggesting that the deal imposes additional penalties for testing beyond those already in place. The BJP criticized the UPA government's indecisiveness on the nuclear deal in a foreign policy resolution at the party's national executive meeting on June 12. Senior BJP leader Jaswant Singh challenged the government to "set its own house in order" rather than blame its partners and the opposition, saying "it is for them to arrive at a solution."

Comment: The Nuclear Deal as an Election Issue

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18. (C) With national and state elections looming and a string of poor electoral performances, Congress needs to show that it compares favorably with the BJP's image of national vigor, as well as with the Left's local populism. On the nuclear issue, Congress Party President Sonia Gandhi appears paralyzed between the BJP's exploitation of the government's perceived foreign policy indecisiveness and the Left's criticism of the nuclear deal as a sign of subservience to U.S. interests. She has so far been unwilling or unable to resolve this strategic dilemma. With no sign that the nuclear issue is fading from newspaper headlines, she may increasingly recognize that muddling along is no longer a viable political option.

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